

Regulation Z

We are in agreement with the regulation as it relates to credit cards. However, the language that causes the regulation to include all open-end lending will result in a negative impact for many of our members, and puts CoVantage and other financial institutions in a difficult, if not impossible, position to comply.

In particular, our areas of concern are:

The requirement to provide twenty-one days notice prior to payment being due.

- Impact to member
 - Cannot select the date they would like their payment to be due, which is often the same day they receive their payroll.
 - Weekly and bi-weekly payments, which are desired by members for both interest savings and budgeting purposes, are not possible.
 - A \$300 single payment loan, which has a maturity of less than 14 days, cannot be done. This will force members to go to a payday lender who could charge \$66 or \$22/\$100 for the same transaction. CoVantage charges less than \$5.00 for this type of loan.
 - Members will not understand why we are giving notice every month when their payment amount does not change.
 - Because the only practical solution for most credit unions will be moving the due date to month end, all members who are struggling will become past due at the same time. Therefore, the collection department will have less time to counsel and assist members in becoming current. Therefore, we expect past due loans to increase.
- Impact to Credit Union
 - To comply with the 21 day notice, if we move due dates this may be a compliance issue. Due dates will actually make some loans less delinquent, which regulators may not approve.
 - One solution is to not charge a late fee or report the member past due on the credit bureau. This will weaken the integrity of the credit bureau reporting agencies, which is a strong tool to making good loans. If the lender does not report, will that be interpreted as delinquent by omission?
 - The Credit Union charges a maximum of a \$10.00 late fee. The late fee is to encourage timely payments. The loss in late charges in the interim will be minimal. However, if members view this as a payment that does not need to be made, past due loans in a financial industry struggling with past due loans, will go up.